HOUSING MARKET OUTLOOK

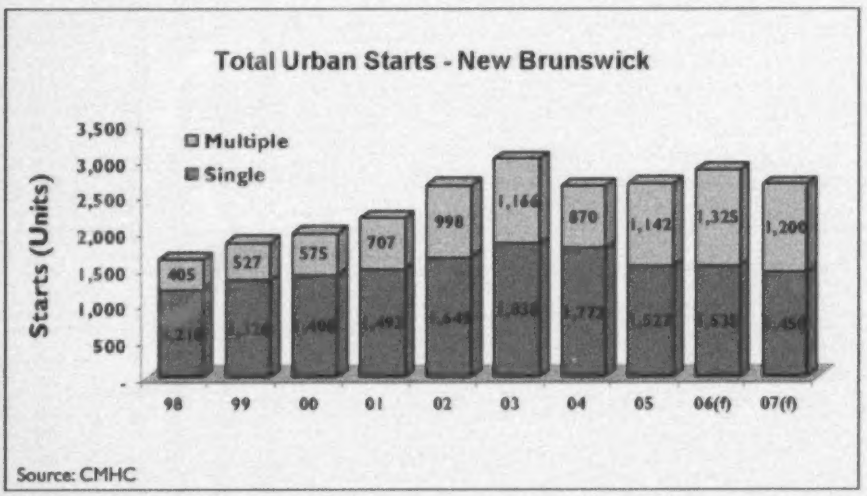
Fredericton, Moncton, Saint John - Date Released: Fall 2006

Economic Growth to Cool Slightly in 2007

The provincial economy faced several challenges in 2006. The forestry sector, a mainstay of the New Brunswick economy for many years, has suffered from job losses due to competition from abroad, as well as reduced global demand for traditional paper products. Furthermore, producers of value added wood products, as well as other manufactured goods, have felt the effects of the sustained strength of the Canadian currency on exports to the United States, New Brunswick's largest trading partner. In spite of the previously mentioned challenges, several large scale capital projects, combined with rising energy exports have helped stimulate moderate economic expansion in the province.

For 2007, economic growth in New Brunswick is expected to decline slightly. An anticipated downturn in the U.S. economy will present further challenges to the New Brunswick economy as exporters will continue to see an easing in demand for provincially manufactured products. Therefore, capital expenditures will play a larger role in the province's economic performance. In addition to ongoing highway improvements and the refurbishment of the province's sole nuclear generation station, large scale energy sector projects, including plans for a second refinery in the Saint John area, will require an infusion of skilled labor to the provincial workforce. The positive effect on in-migration will stimulate demand for housing and lead to increased consumer spending, both of which will contribute to the overall health of the provincial economy.

GDP growth is expected to reach 2.4 per cent in 2006, and 2.2 per cent in 2007. Residential housing, which has been resilient in 2006, is expected to decline slightly in 2007. Total starts should reach 4,100 in 2006, with a drop to 3,750 in 2007.



Source: CMHC

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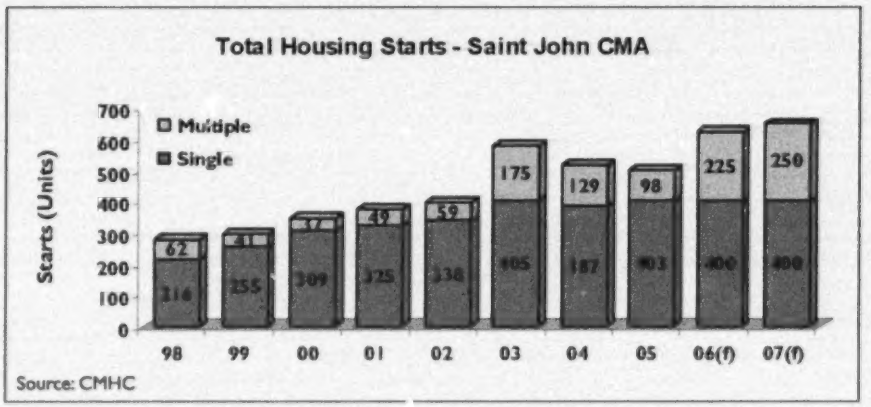
SAINT JOHN

Employment Growth Expected Over the Forecast Period

Employment in the Saint John area has been trending upwards in recent years with annual growth approaching 1.8 per cent during the past decade. Despite the relatively modest employment growth, the outlook for future growth is positive due to current and upcoming projects in the energy sector. The major upgrade of the Point Lepreau power generation station, as well as the construction of a liquefied natural gas terminal, will require significant additions of skilled labor. Furthermore, the proposed construction of a new refinery in the area will require an estimated 5,000 workers during the construction phase, and assure 1,000 full time jobs once full production is achieved. The large scale infusion of skilled labor to the local workforce will undoubtedly have a positive impact on the local economy, as will the addition of other peripheral jobs required to support projects of this magnitude. Moreover, the workers needed to complete these projects will stimulate in-migration to the Saint John area, further contributing to the diversification and strengthening of the local economy.

Residential Construction to Increase

In light of the positive economic conditions, combined with the current and future large scale projects, residential construction in Saint John is anticipated to remain at historically



high levels, reinforced by rising demand for housing. At the end of the third quarter, total housing starts have increased to 449 units, up from last year's total of 353 starts during the same period. The increase in construction is primarily attributed to a rise in multiple starts during the first three quarters of 2006. The most notable component of the increase was the almost fourfold increase in apartment starts, jumping from 26 last year to 101 units in 2006. This trend is likely to continue as the migration of skilled labor needed for capital projects will fuel demand for apartment style units. Expect multiple starts to rise to 225 units in 2006, followed by a further increase to 250 starts in 2007.

Conversely, single starts were virtually unchanged at the end of the third quarter, with a negligible drop to 274 units compared to last year's total of 280. Expect single starts to reach 340 in 2006, with a subsequent drop to 320 units in 2007. Labor and raw material costs will continue to rise, as will the price differential between new and existing homes, leading some potential home owners to the existing home market.

Resale Market Maintains Stability

The resale market in Saint John has been resilient in 2006. New listings are trending upwards and should surpass last year's record high level. Furthermore, unit sales are on pace to equal last year's total of 1,901 units, which was the highest on record for Saint John. Average sale price has also maintained an upward trend with eight consecutive years of price growth. Expect the average price to reach approximately $128,000 in 2006 with a further increase to $131,500 in 2007. The rising costs of new home construction, combined with the anticipated in-migration due to upcoming, large scale projects in the energy sector will help maintain the strength of the resale market in the Greater Saint John area.

Forecast Summary - Saint John CMA					
New Home Market	2003	2004	2005	2006*	2007*
Total Starts	580	516	501	625	650
Singles	405	387	403	400	400
Multiples	175	129	98	225	250
Avg. Price	177,800	$185,800	198,526	$215,000	$217,500
Vacancy Rate	5.2%	5.8%	5.7%	5.5%	5.5%
Resale Market	2003	2004	2005	2006	2007
MLS® Sales	1636	1612	1901	2000	1900
Average Price	$106,475	$116,836	$119,719	$128,000	$131,500

*CMHC Forecast

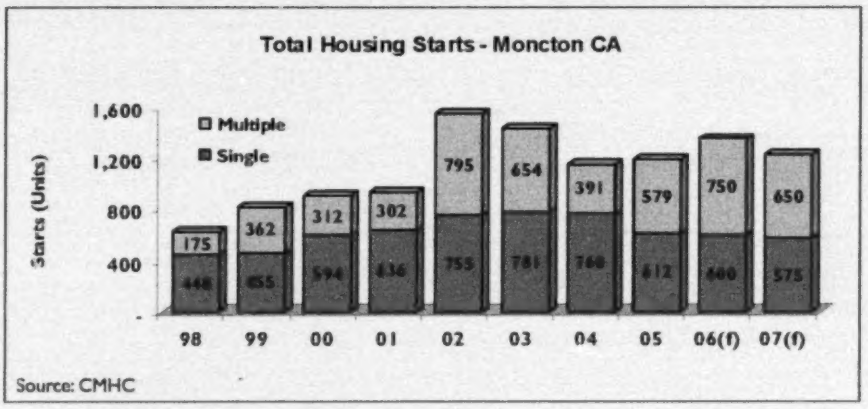
MONCTON

Employment Maintains Stability

Employment in Greater Moncton is on pace to surpass last year's record high, when more than 69,000 people were employed in the area. Therefore, 2006 represents the ninth consecutive year with positive employment growth. During this period, total employment in the area has grown by approximately 2.9 per cent annually. Job growth has been particularly strong in the service and construction sectors. Major projects such as the new Dieppe City Hall complex, the addition of new hotels, as well as the new justice centre have helped stimulate the local economy. The result has sustained in-migration to the Greater Moncton area which has been attracting in excess of 1,000 people annually. The positive economic performance and the growing population have fuelled demand for new housing, adding stability to the local housing market.

Single Starts Maintain Stability in Greater Moncton

Following an overall decline in 2005, single starts have rebounded slightly in 2006. To the end of September 2006, starts are currently ahead of last year's pace by 3.7 per cent with 443 units, compared to last year's total of 427. Although they will not reach the record levels established during the period spanning 2002-2004, single starts will remain strong in historic terms and should reach 600 units in 2006. Despite slightly higher mortgage rates, and the continued rise in the cost of new construction, expect single starts to remain relatively stable in 2007, with a slight drop to 575 units.



Source: CMHC

Although single starts have remained relatively unchanged compared to last year, multiple starts have jumped to 639 units at the end of September in 2006 compared to last year's total of 416 units. This notable rise is partly due to increased construction of semi-detached units. With continued increases in the cost of new home construction, the popularity of semi-detached units in Greater Moncton has increased steadily as they allow easier access to new home ownership, especially for the first-time home buyer. Since 2000, semi-detached starts have been growing at an annual rate of approximately 33 per cent per year. Year-to-date in 2006, semi-detached starts have increased by almost 100 units. The other component to the overall increase in multiple starts is the 137 unit increase in apartment starts. Positive net-migration has helped sustain demand for apartment units which have proved appealing as a precursor to home ownership in the Greater Moncton area. Consequently, multiple starts are expected to reach 750 units in 2006, followed by a moderate drop to 650 units in 2007.

Resale Market Continues to Expand

The resale market in Greater Moncton has benefited from on-going increases in the cost of new home construction and is on pace to surpass record highs for unit sales, new listings and sale price set in 2005. After the first 8 months of 2006, unit sales and new listings were up 10.3 per cent and 16.8 per cent, respectively. Moreover, price growth has continued in 2006, although the pace of growth has declined moderately from previous years. Sales are expected to reach 2,400 in 2006 followed by a slight decline to 2,150 in 2007.

Forecast Summary - Moncton CA					
New Home Market	2003	2004	2005	2006*	2007*
Total Starts	1435	1151	1191	1350	1225
Single	781	760	612	600	575
Multiples	654	391	579	750	650
Avg.Price	150,200	$164,733	168,833	$175,000	$181,000
Vacancy Rate	2.9%	5.0%	4.7%	4.9%	5.0%
Resale Market	2003	2004	2005	2006	2007
MLS® Sales	1861	2028	2341	2400	2150
Average Price	$104,577	$113,096	$124,088	$129,000	$132,000

*CMHC Forecast

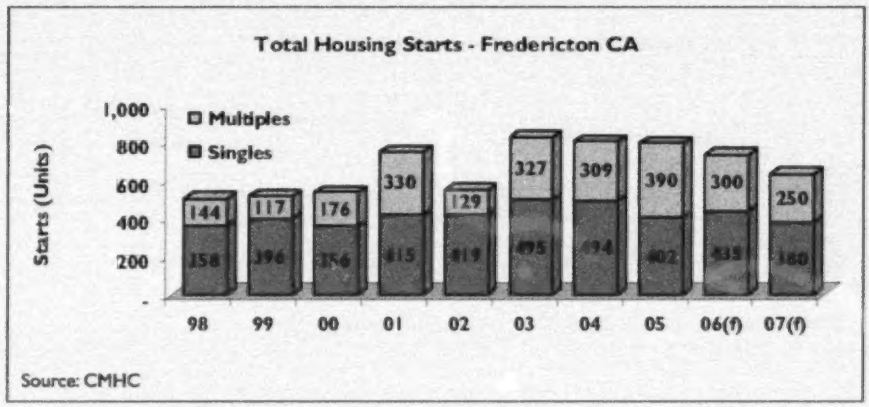
FREDERICTON

Fredericton Benefits from Economic Development

The city of Fredericton has benefited from recent economic development initiatives such as the addition of new retail outlets and the construction of new recreational facilities. These projects have contributed to the health of the local economy and have stimulated job growth. As a result, overall employment has been growing by approximately 1.7 per cent annually during the past decade. Consequently, Fredericton has been the only area in the province other than Westmorland County to experience positive net-migration in recent years.

Residential Construction Stable

By the end of the third quarter 2006, single starts in Fredericton had increased by only one unit compared to last year, to 292 units. Single starts are expected to remain strong in historic terms, with 435 starts expected in 2006, which is comfortably above the 10 year average of 398 units. A subsequent drop to 380 starts is forecast for 2007.



Source: CMHC

Multiple starts, which have been increasing steadily in Fredericton since 2003, reached a record high of 390 units in 2005. On the heels of this strong performance, multiple starts are expected to decline moderately in 2006. At the end of the third quarter, multiple starts were down approximately 7 per cent as developers have shifted their focus away from apartment style units to concentrate on row and semi-detached units. For 2006, multiple starts are expected to reach 300 units. A modest decline of 50 multiple starts is expected in 2007. Nevertheless, demand for semi-detached and row housing will remain strong in light of the increasing construction costs of single-detached homes, which have made semi-detached and row units more attainable to first time home buyers.

Resale Market Stable

With an ample supply of new listings, combined with the widening gap between the price of new and existing homes, the Fredericton resale market has displayed brisk sales and steady price growth. The trend of increasing unit sales is expected to be reversed with a slight decline to 2,000 units in 2006 and further decline to 1,900 units in 2007. Furthermore, price growth is expected to decline in 2006, with the average price climbing to $138,500. A further increase to $140,500 is anticipated in 2007.

Forecast Summary - Fredericton CA					
New Home Market	2003	2004	2005	2006*	2007*
Total Starts	822	803	792	735	630
Singles	495	494	402	435	380
Multiples	327	309	390	300	250
Avg. Price	165,000	$188,900	205,000	$215,000	$220,000
Vacancy Rate	1.60%	3.70%	4.00%	4.30%	4.50%
Resale Market	2003	2004	2005	2006	2007
MLS® Sales	1655	1923	2082	2000	1900
Average Price	$115,229	$119,191	$130,502	$138,500	$140,500

*CMHC Forecast

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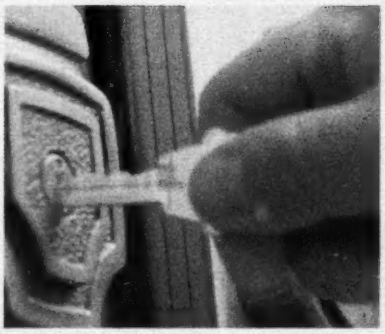

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